

What's New

STANDARD DEDUCTION—For 2007, the standard deduction is \$2,050.

FAMILY SIZE TAX CREDIT—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2007 threshold amount is \$10,210 for a family size of one, \$13,690 for a family of two, \$17,170 for a family of three and \$20,650 for a family of four or more.

MODIFIED GROSS INCOME—Modified gross income is the greater of federal adjusted gross income adjusted to include interest income derived from municipal bonds (non-Kentucky) and lump-sum pension distributions not included in federal adjusted gross income; *or* Kentucky adjusted gross income adjusted to include lump-sum pension distributions not included in federal adjusted gross income.

LIMITED LIABILITY ENTITY TAX CREDIT—An individual that is a partner, member or shareholder of a limited liability pass-through entity is allowed a limited liability entity tax (LLET) credit against the income tax imposed by KRS 141.020 equal to the individual's proportionate share of LLET computed on the gross receipts or gross profits of the limited liability pass-through entity as provided by KRS 141.0401(2), after the LLET is reduced by the minimum tax of \$175 and by other tax credits which the limited liability pass-through entity may be allowed. The credit allowed an individual that is a partner, member, or shareholder of a limited liability pass-through entity against income tax shall be applied only to income tax assessed on the individual's proportionate share of distributive income from the limited liability pass-through entity as provided by KRS 141.0401(3)(b). Any remaining LLET credit shall be disallowed and shall not be carried forward to the next year.

INTERNAL REVENUE CODE REFERENCE UPDATE—The 2007 General Assembly through House Bill 258 amended KRS 141.010(3) to advance the Internal Revenue Code (IRC) reference date for state individual and corporation income tax purposes to December 31, 2006. The depreciation and Section 179 expense deductions for property placed in service after September 10, 2001 will still be computed under the IRC in effect on December 31, 2001. The bill also amended KRS 67.750 to update the reference date for the IRC for local governments to December 31, 2006.

QUALIFIED MORTGAGE INSURANCE PREMIUMS—Premiums that you pay or accrue for “qualified mortgage insurance” during 2007 in connection with home acquisition debt on your qualified home are deductible as home mortgage insurance premiums. Qualified mortgage insurance is mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and private mortgage insurance. Mortgage insurance premiums you paid or accrued on any mortgage insurance contract issued before January 1, 2007 are not deductible.

IRC Section 163